GAF Materials Case Study: Head-to-Head Competition

"We're in a head to head battle with Peoplesoft. . . . Craig Conway [PeopleSoft's CEO] is calling in to the account to try to delay decision past 5/31, and have gotten ultra aggressive on the price and discount to win the business."

GAF Materials Case Study: Information Revelation

US EXECUTIVE APPROVAL FORM

CUSTOMER NAME: GAF Materials Corporation

SECTION I Approval Requests:

5/30 Noon EST The following request is the final incremental HQAPP approval request for GAF.

1. Seeking 85% worst case discount on all products purchased on the ordering document which includes Professional User Ebus suite 2005 (other products detailed below in exact summary template). Previous hqapp approval was for 77%.

Justification: [illegible]

[illegible] HQAPP [illegible] HQAPP request [illegible]

1. Seeking Approval to offer GAF 77% discount on all products purchased on the ordering document which includes Professional User Ebus suite 2005 (other products detailed below in exact summary template). Previous HQAPP approval was for [illegible] discount on ebus suite 2005 and 75% discount on all other products being purchased on order doc. List license is 6,725,250. List support is 1,47[illegible]. Net License at 77% discount is 1,546,807. Net Support is 340,[illegible]

Justification: We're in a head to head battle with Peoplesoft. We've been told we have the functional vote but GAF claims adamantly that they can run their business equally successfully on either psft or Oracle. Craig Conway is calling in to the account to try to delay decision past 5/31, and have gotten ultra aggressive on the price and discount to win the business. Peoplesoft is at the same or very similar license net price according to Partners Deloitte and CSC but has a substantially lower support cost of somewhere between 15% to 17% of net we've been told. Oracle Account team and Psft account team spent the entire day in customer's office on 5/28 bidding and counter bidding against each other. Customer is looking at TCO over a 10 year period which makes the psft number much more attractive because of support costs of 15% to 17%. We're selling the value we've developed through the sales process, but need to be similarly price competitive on the license price to try to minimize support cost differential over 10 years. Customer wants Oracle, but needs us to be within 10% to 15% of the 10 yr cost of ownership of psft in order for oracle to win the business. Tomorrow, 5/31, we have our final conversation with the VP of procurement and may need to come back to HQAPP for another 1 to 3 discount points to close the deal since psft is expected to come back over night with another more aggressive offer.

2. Seeking approval to add 2 additional renewal years at flat rate (2 renewal years at flat rate were previously approved by HQAPP) for a total of 4 renewal years of flat rate, plus an additional 1 year at 4% increase (2 renewal years at 4% increase were previously approved by HQAPP) for a total of 3 years at 4% increase. Overall this would be 8 years of support caps – contract year plus 4 flat renewal years plus 3 renewal years at 4%.

Justification: Peoplesoft is pricing support at 15% to 17% according to GAF. Our intelligence is that support caps are very difficult to approve for peoplesoft outside of 4 or 5 years. We're trying to neutralize psfts lower support price by capping oracle support flat for 5 yrs and not to exceed 4% for an additional 3 yrs so that we provide 8 yrs of protection on GAF's 10 yr mode. Our cost differential at the [illegible] Oracle

"Peoplesoft came back over night with a call from Conway with an offer of 1.2 million for licenses and support at 15% to 17%."

"Customer wants Oracle, but needs us to be [within] 10% to 15% of the 10 yr cost of ownership of psft in order for oracle to win the business."

"Oracle Account team and Psft account team spent the entire day in customer's office on 5/28 bidding and counterbidding against each other."

GAF Materials Case Study:
Bidding Summary

■ Multiple rounds of bidding

  ■ Original "worst case" discount request for 65%

  ■ Second request for 77% discount

  ■ Third request for 85% discount

GAF Materials Case Study:
Price Decrease

65% Discount $\longrightarrow$ 85% Discount

35% of List $\longrightarrow$ 15% of List

$$\frac{(35-15)}{35} = 57\%$$ Reduction in Price

US EXECUTIVE APPROVAL FORM

CUSTOMER NAME: GAF Materials Corporation

SECTION I - Approval Requests:

5/30 Noon EST The following request is the final incremental HQAPP approval request for GAF.

1. Seeking 85% worst case discount on all products purchased on the ordering document which includes Professional User Ebus suite 2003 (other products detailed below in exec summary template.) Previous hqapp approval was for 77%.

Justification: John Boucher just got of the phone with GAF's VP of procurement after speaking with Keith Block about the 85% discount. Offer was made to customer of list license of 6,725,250 and list support of 1,479,555. Net license at 83% discount is $1,143,293, net support is $251,524. John Boucher demanded an answer by 2pm EST today. Peoplesoft came back over night with a call from Conway with an offer of 1.2million for licenses and support at 15% to 17%. Using the customer's 10 year tco model psft is at 3.240 million and Oracle is at 3.658 million (at 83% discount).

> **5/29: The following 3 requests are new HQAPP approval requests and are incremental to the previously approved HQAPP requests shown below:**
>
> 1. Seeking Approval to offer GAF 77% discount on all products purchased on the ordering document which includes Professional User Ebus suite 2003 (other products detailed below in exec summary template). Previous HQAPP approval was for 50% discount on ebus suite 2003 and 75% discount on all other products being purchased on order doc. List license is 6,725,250. List support is 1,479,555. Net License at 77% discount is 1,546,807. Net Support is 340,297
>
> **Justification:** We're in a head to head battle with Peoplesoft. We've been told we have the functional vote, but GAF claims adamantly that they can run their business equally successfully on either psft or Oracle. Craig Conway is calling in to the account to try to delay decision past 5/31, and have gotten ultra aggressive on the price and discount to win the business. Peoplesoft is at the same or very similar license net price according to Partners Deloitte and CSC, but has a substantially lower support cost of somewhere between 15% to 17% of net we've been told. Oracle Account team and Psft account team spent the entire day in customer's office on 5/28 bidding and counterbidding against each other. Customer is looking at TCO over a 10 year period which makes the psft number much more attractive because of support costs of 15% to 17%. We're selling the value we've developed through the sales process, but need to be similarly price competitive on the license price to try to minimize support cost differential over 10 years. Customer wants Oracle, but needs us to be withing 10% to 15% of the 10 yr cost of ownership of psft in order for oracle to win the business. Tomorrow, 5/31, we have our final conversation with the VP of procurement and may need to come back to HQAPP for another 1 to 3 discount points to close the deal since psft is expected to come back over night with another more aggressive offer.
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> 2. Seeking approval to add 2 additional renewal years at flat rate (2 renewal years at flat rate were previously approved by HQAPP) for a total of 4 renewal years of flat rate, plus an additional 1 year at 4% increase (2 renewal years at 4% increase were previously approved by HQAPP) for a total of 3 years at 4% increase. Overall, this would be 8 years of support caps – 1 contract year, plus 4 flat renewal years, plus 3 renewal years at 4%.
>
> **Justification:** Peoplesoft is pricing support at15% to 17% according to GAF. Our intelligence is that support caps are very difficult to approve for peoplesoft outside of 4 or 5 years. We're trying to nuetralize psfts lower support price by capping oracle support flat for 5 yrs and not to exceed 4% for an additional 3 yrs so that we provide 8 yrs of protection on GAF's 10 yr model. Our cost differential at the 22% Oracle

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support factor is vs. the psft 15%-17% is very large when carried over 10 yrs. Customer has told us that if we were not more than 10% to 15 % more expensive over 10 years that they will award us the business. By capping our maintence as proposed we feel that we are within the 15% range.

3. Price hold on all products on the order doc at 70% discount including ebus suite 2003 for 3 years.
    HQAPP's previous approval was for 2 years at 75% for most programs and 50% for ebus suite 2003.
Justification: We will offer 2 years of price holds. CIO has told us that he will be buying and deploying all of the additional price hold software over a 3 yr period. We're offering 2 years and will use the last year as a negotiation point only if we need to.

The following requests were previously approved by hqapp on May 12th.

HQAPP Requests:

1. 65% worst case blended discount for programs listed below, including 2003 ebus. Professional User 2003 @50% discount. Other modules at worst case 75%(including Technology and Prof. External User).
2. Price hold for the programs in the Ordering doc for 2 years at 75%(w/ the exception of Prof. User 2003 which will be at 50%).
3. Support Cap held flat for 2 additional years and years 4&5 @ 4% cap.

TIER 1 Requests:

1.
2.

TIER 2/3 Requests:

1.
2.

Previously approved requests (include date of approval):
1.
2.

SECTION II – Deal Summary:

Deal Summary	
Programs	2003 Professional User, Professional User external, Trade Management, Quoting, Incentive Comp, Advanced Pricing, OM & AP Electronic orders, Release Management, Configurator, istore, Warehouse Management, Transportation, Adv. Supply Chain Planning, Inventory Optimization, , Global order to promise, demand planning, collaborative planning, irpo, isupplier portal, sourcing, manufacturing scheduling, EAM, Field Service, Scripting, Mobile Field Service, ireceivables, iexpense, Mobile Financials,

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	HR Self Service, OCO, Tutor, Tutor for Self Service, ilearning, Financial Analyzer, Express, Database EE, 9ias EE
License Discount	65% blended (ebiz + 25% for Prof. User 2003), (ebiz + 50% for other)
Support Discount	65% blended (ebiz + 25% for Prof. User 2003), (ebiz + 50% for other)
Comp & Admin Discount	N/A
Phased Implementation for Comp & Admin?	N/A
Subset of Users	N/A
Support Options/Holds	2 years additional flat, years 4 & 5 @ 4% cap
Price Holds	Prof. User 2003 @ 50%, and all other Programs in ordering document @75% for 2 years
List License	**$6,725,250**
List Support	**$1,479,555**
List Comp & Admin	N/A
Net License	**$1,546,813**
Net Support	$340,298
Net Comp & Admin	N/A
Net Total Price	$1,887,112
Price List Used	March 24, 2003

Customer History - Existing Price Holds	
Existing contractual discount (price hold)	N/A
Date of Price List for price hold	N/A
When does price hold expire?	N/A
Price hold program categories (database, server, erp, crm, hr/payroll, app suite)	N/A
Name of Agreement if applicable	SLSA-634481-23-NOV-98

SECTION III - Justification:

1. **Request # 1 justification:**

- Peoplesoft basing their pricing on revenue and number of employees of GAF, which is a $1.4B manufacturer with 3,500 employees. Peoplesoft pricing is aggressive to win the business. A partner told us that they offered 0% financing on top of everything else.

- The CIO has laid out a 3 year plan for bringing new software into the company and wants the value of this plan reflected in the discounts applied in the first phases(Financials & Req. to Pay) of the project(our current proposal).

- Peoplesoft is playing up their installation at GAF's competition and our pricing needs to be in line with Peoplesoft's offering.

- GAF is a low margin roofing shingle manufacturer.

- Professional User external approved at 75% is justified based upon their 2,700 Contractors and distributors will only be accessing Partners Online functionality in the Suite.

2. **Request # 2 justification**

- Order Management, Manufacturing, and CRM will definitiely be required, but they are savvy buyers and don't want to pay support while implementing the first phases. The price hold will allow us to show good faith toward the CIO's 3 year plan, as well as, offer additional incentive versus Peoplesoft.

- Peoplesoft is not asking for additional revenue unless GAF grows their business. They also are presenting a much simpler revenue based pricing model versus our almost 20 different metrics. Aggressive Price holds will help us counter customer displeasure with our pricing model.

- Even at the 75% discount, future business could amount to a total of an additional $3.3M over the next 2 years if we can win the first phase from Peoplesoft. GAF's business is very much based upon VPA's. Giving a larger discount as they buy more product in the future is how they deal with their customer base("tiered pricing").

3. **Request # 3 justification**

- GAF has expressed great concern over our 22% for support. They have successfully negotiated support costs with other software vendors in the past to as low as 15%. Their business requires that they control on-going costs. The support concessions will allow us to at least show some movement on what is one of their biggest issues.

Recommendation: *(leave blank for HQAPP to fill out)*

Submitted By: *Patrick Doyle,ASM; Reed Overby, RM;Amit Singh, AVP*
Field RM name if submitted by OracleDirect:

R: *(leave blank for HQAPP to fill out)*
C:
L:
A:
BP:

****
PLEASE NOTE THAT HQAPP WILL NOT REVIEW ANYTHING BELOW AND NOTHING BELOW WAS CONSIDERED FOR THEIR APPROVAL. ONLY DETAILS IN THE REQUEST SECTION (SECTION I) ABOVE WERE CONSIDERED IN THE APPROVAL GRANTED.

SECTION V – Ordering Document Details

Instructions - Fill in all sections completely.

APPROVAL REQUIREMENTS - Refer to the Approval Matrix at http://esource.oraclecorp.com
PRICING REQUIREMENTS – Refer to Price List and Price List Supplement for minimums and prerequisites.
PRICING SPREADSHEET – Include a pricing spreadsheet showing all products, quantities, license types, pricing, and discounts. Indicate if discount for drafting contract differs from approved discount.
MIGRATIONS - If your deal contains a migration, you must submit a Migration Worksheet to the ELM (eBusiness License Migrations) team. Refer to http://nafo.us.oracle.com under the Contract Management tab and e-Business License Migrations header to download the spreadsheet and for additional information.

Note: All business approvals & quotes are valid through the quarter they were approved, unless a formal RFP or Tender requires a longer validity period.

General Information	
Contract requested by (insert date): After all approvals are obtained - Allow 24 hours for standard contracts and 48 hours for non-	May 13, 2003

standard contracts.	
Opportunity I.D. (OSO Number):	192475
Is this a ship order?	_____ Yes __x__ No—*Electronic Delivery*
Deal Structure (indicate Direct, Pass-Through, Sublicense, or Trial License):	Direct
Is this deal the result of a compliance issue that LMS has been involved in?	_____ Yes __x__ No
Does deal contain new licenses with an *approved* non-supported license type (i.e. metric is not nor ever has been on Oracle's price list):	_____ Yes (specify non-supported license type and eBusiness license type used to determine conversion) __x__ No
Quote Valid Through (insert date):	May 30, 2003
Partner (insert name, if applicable)?	Margin or % of net license fees_____
VAD (insert name, if applicable)?	Margin or % of net license fees_____
PARTNER PAYMENT: If this is a direct deal, does it involve a Partner Referral Fee? If yes, specify payment type:	_____ Yes __x__ No _____ Applications Affiliate Fee _____ ROP Fee *(GB Use Only)*
MIGRATIONS OR UPDATES:	_____ Yes __x__ No
PREMIUM SERVICES:	_____ Yes __x__ No
INCIDENT PACKS:	_____ Yes __x__ No
INTERNATIONAL: Requires an International Notification Form to be forwarded to your manager, contract specialist, and NASINFO or OGEHINFO.	_____ Yes __x__ No
Payment Terms:	__x__ Net 30 _____ Other (Specify)_____
Referenced Agreement:	_____ New OLSA __x__ Other (Specify)_SLSA-634481-23-NOV-98

Customer and Administrative Information – all fields must be filled in	
Customer's EXACT Legal Name:	**GAF Materials Corporation**
Business Address:	1361 alps Road
City / State / Zip:	Wayne, New Jersey 07470
Customer Contract Admin:	Peter Grandinetti
Phone #:	973-628-3909
Fax #:	973-628-3788
E-mail ID:	pgrandinetti@gaf.com
Billing Contact:	Same as Contracts above
(Partner/VAD if Indirect):	
Address:	
City / State / Zip:	
Phone #:	
Fax #:	
E-mail ID:	
Tax Status :	Exempt ____ (Need certificate for ship to state if not on Oracle's Tax Exemption Log)

	Non-Exempt x
Shipping Contact:	**Same as Technical below**
Address:	
City / State / Zip:	
Phone #:	
Fax #:	
E-mail ID:	
Technical Support Contact:	Frank O'Dowd
Address:	Same as above
City / State / Zip:	
Phone #:	973-628-3150
Fax #:	973-872-4485
Email ID:	**fodowd@gaf.com**
Partner Name (Indirect):	N/A
Address:	
City / State / Zip:	
Contact Admin:	
Phone #:	
Fax #:	
E-mail ID:	

Education (EPPC)	
Education Prepaid Credit Amount:	N/A—separate order_____
Education Discount:	_____%
Education Revenue:	$_____
Education Sales Rep:	

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PROCESSOR/NAMED USER PROGRAMS/COMPUTER PROGRAMS (REQUIRED INFORMATION)

Make and Operating System required for each program:
Make: HP
OS: UX
PROGRAMS: *See attached spreadsheet*

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Applications		
Will applications be modified:	x Yes	____ No
Will users be accessing modified Apps from the web:	____ Yes	____ No
Have all prerequisites been included:	____ Yes	____ No
Will users use Fast Forward RPM:	____ Yes	____ No
Will applications be hosted:	____ Yes	x No
Indicate database that Apps will run on:	Oracle to be included on order	
Indicate CSI for existing prerequisite database and tools:		

Options not requiring HQAPP, Tier 1, or Tier 2 Approval	
(1)	
(2)	
(3)	
(4)	

Internal Administrative Information	
Applications Sales Manager	Pat Doyle
Technology Sales Manager	Tom McGuire
Account Manager	
OracleDirect Rep	Stephen Devir
Education Sales Rep	Michael Liddy
Support Renewals Rep	
Premium Support Rep	
Migrations Manager	
Is there a teaming agreement?	____Yes (if yes, list all appropriate reps) x No
Requester:	Name: Patrick Doyle Business Telephone: 973-257-2214 Cell Phone: 201-788-4682